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Korea, Republic of

Sugar

Annual

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Approved by:

Grant A. Pettrie

U.S. Embassy, Seoul

Prepared by:

Choi, Sun Young / Stanley S. Phillips

Report Highlights: Korea's imports of raw sugar are expected to increase slightly to 1.61 MMT in MY 2003/04 based on gradual consumption growth and promising export prospects. Korea is expected to increase exports of refined sugar to China and Hong Kong offsetting decrease in other markets.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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SECTION. I SITUATION AND OUTLOOK

The Korean economy experienced a 6 percent growth rate in tandem with strong domestic demand despite a relatively small increase in overall exports of goods in 2002. The Korean government is projecting about a 4-5 percent growth rate this year but actual growth will depend on external uncertainties, including the effects of conflict in Iraq on oil prices and developments in North Korea. Increased household debt had a negative effect on domestic consumption in the latter half of 2002 and is likely to continue to influence the economy in 2003.

Raw sugar is not produced in Korea. Three major sugar refineries process imported raw sugar to supply refined sugar to the Korean market. Total disappearance of sugar in MY 2003/04 is expected to increase less than 1 percent to a level of 1.28 MMT (raw value). According to the International Sugar Association (ISO), per capita sugar consumption in 2001 amounted to 23 kg. The ISO estimate, which is based on data from the Korea Sugar Association (KSA), tends to be a few kilograms higher than the KSA's per capita consumption estimates. KSA estimates per capita sugar consumption in Korea at **18.5 kg** and 19.2 kg in 2001 and 2002, respectively.

The Korean soft drink industry is projected to increase 4 percent in 2003 after posting 2 percent growth 2002. However, the expansion in soft drink consumption and production has been based to a large extent on use of High Fructose Corn Syrup (HFCS). In addition, increases in carbonated soft drink and sports drink consumption have been offset in part by decreased consumption of other sugar containing drinks such as juices. Initial expectations of stronger MY 2002 sugar demand from the soft drink industry because of the World Cup soccer tournament were dampened by rainy summer weather and an early fall which limited growth of soft drink consumption.

According to industry estimates, 140,000 MT of raw sugar are used annually to produce L-lysine, an animal feed ingredient. More than 90 percent of Korea's L-lysine production is exported.

Korean raw sugar imports are expected to increase from 1.59 MMT in MY 2002 to 1.61 MMT in MY 2003. The increase reflects expectations of slight increases in domestic human consumption and improved prospects for refined sugar exports. Korea is expected to continue to obtain raw sugar imports from traditional suppliers. In MY 2002, Korea sourced 88 percent of total raw sugar imports from Australia, Guatemala and South Africa. Although other supplies such as Guatemala and South Africa are price competitive with Australian sugar, Korean buyers prefer Australia sugar because of its quality. Raw sugar imports are subject to a 3 percent tariff. Refined sugar imports, which have not occurred in recent years, would be subject to a 50 percent tariff rate.

Korea is expected to increase refined sugar exports from 320,000 MT in MY 2002 to 330,000 MT in MY 2003. Increased exports of refined sugar to Hong Kong and China are expected to more than offset decreases to other South East Asian countries. According to the Korean industry, the high quality of Korean sugar allows Korea to compete with very attractive sugar prices from Thailand in Korea's markets of Hong Kong and China. Hong Kong and China accounted for 70 percent of Korean sugar exports in MY 2002. Refined sugar exports to China in MY 2002 increased about 13 percent over MY 2001. China imports roughly 1 MMT of refined sugar every year of which Korea accounted for 80,000 MT in MY 2002. The sugar market in China is anticipated to continue to grow in tandem with growing sugar demand from China's food industry which should allow Korean suppliers to increase their export quantities.

Refined sugar prices in the domestic market in MY 2002 remained relatively low reflecting low international

prices throughout last year. Since December 2002, however, raw sugar prices have been increasing according to Korean importers. Refined sugar prices in Korea are expected to follow trends in world raw sugar prices. Currently, the retail price for 1 kilogram of refined sugar stands at 950 Korean won (US\$ 0.76). Despite changes in prices, stocks are expected to remain stable. FAS/Seoul revised past ending stock numbers to 110,000 MT in MY 2003 and previous years based on a survey of the three major sugar refiners. According to the sugar refiners, stocks available for refining are maintained at levels sufficient to cover about one month of processing.

High Fructose Corn Syrup (HFCS) consumption, the primary substitute for sugar in soft drink production, increased in MY 2002 due to the large amount of carbonated soft drink production and consumption. In MY 2001/02, Korea produced 394,000 tons of HFCS (raw sugar equivalent). HFCS usage has been increasing since the 1998 financial crisis in Korea. HFCS usage is expected to increase about 1-2 percent in 2003. Ninety percent of the HFCS produced in Korea was consumed by the soft drink industry last year. The remainder went to confectioneries and processed foods. HFCS is sold at 430won/kg (\$0.358/kg) which is about 35 percent less expensive than the price of refined sugar.

SECTION II. STATISTICAL TABLES

Sugar PSD

PSD Table						
Country	Korea, Republic of					
Commodity	Centrifugal Sugar				(1000 MT)	
	Revised	2002	Preliminary	2003	Forecast	2004
	Old	New	Old	New	Old	New
Market Year Begin		09/2001		09/2002		09/2003
Beginning Stocks	98	98	95	110	90	110
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	0	0	0	0	0	0
TOTAL Sugar Production	0	0	0	0	0	0
Raw Imports	1600	1590	1625	1590	0	1610
Refined Imp.(Raw Val)	0	0	0	0	0	0
TOTAL Imports	1600	1590	1625	1590	0	1610
TOTAL SUPPLY	1698	1688	1720	1700	90	1720
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	330	314	325	320	0	330
TOTAL EXPORTS	330	314	325	320	0	330
Human Dom. Consumption	1273	1124	1305	1130	0	1140
Other Disappearance	0	140	0	140	0	140
Total Disappearance	1273	1264	1305	1270	0	1280
Ending Stocks	95	110	90	110	0	110
TOTAL DISTRIBUTION	1698	1688	1720	1700	0	1720

Korea: Raw Sugar Imports

(Raw value)

Country	MY 2002		MY 2003 1/	
	MT	\$000	MT	\$000
Australia	629,964	123,652	451,936	77,065
Guatemala	543,768	104,197	9,315	1,510
South Africa	233,308	46,362	139,540	23,254
Thailand	170,916	33,348	14,386	2,760
Brazil	11,034	1,729	28,871	4,822
Mozambique	0	0	18,543	3,411
U.S.A	369	539	234	347
P.R.C.	111	5	0	0
Others	61	69	12	24
Total	1,589,531	309,901	662,837	113,193

Source: Korea Trade Information Services

1/ Sept.2002 - Jan.2003 data.

Korea: Refined Sugar Exports

(Raw value)

Country	MY 2002		MY 2003 1/	
	MT	\$000	MT	\$000
Hong Kong	145,267	33,450	49,764	10,673
P.R.C.	74,819	19,180	47,142	11,183
Philippines	45,347	11,855	14,395	3,321
Singapore	22,961	5,251	15,455	3,264
Indonesia	21,128	5,150	11,034	2,416
Russia	1	0	12,840	2,873
Japan	1,413	415	543	161
Micronesia	975	422	429	183
Guam	534	197	214	78
U.S.A.	12	62	29	15
Mongolia	439	138	95	48
Cambodia	514	128	0	0
NewZealand	663	165	0	2
Others	224	126	0	0
Total	314,297	76,539	151,940	34,217

Source: Korea Trade Information Services

1/ Sept. 2002 - Jan. 2003 data.

Korea: Refined Sugar Production

(1,000 MT)

Calendar Year	1997	1998	1999	2000	2001	2002
Volume	1,198	1,127	1,176	1,253	1,255	1,277
Change	3%	-6%	4%	7%	0%	2%

Source: Korea Sugar Association

Korea: HFCS Production by Corn Wet Millers

(Sept.-Aug., 1000MT)

Marketing Year	Production	Raw Sugar Equivalent
1992/93	284	233
1993/94	298	244
1994/95	307	252
1995/96	309	253
1996/97	349	286
1997/98	321	263
1998/99	329	270
1999/00	385	316
2000/01	427	350
2001/02	480	394

Source: Korea Corn Processing Industry Association

Korea: Refined Sugar Ex-Factory Price

Date	Mar.2000	Nov.2000	May.2001	Mar.2002	Jul.2002
Price(USD/KG)	0.585	0.596	0.559	0.534	0.561
Price(KRW/KG)	653.81	686.62	726.44	704.65	666.00
Change	-5.0%	5.0%	5.8%	-3.0%	-5.5%
Exchange rate(Won/USD)	1,117.19	1,151.15	1,298.46	1,318.72	1185.12

Sources: Industry Data & Bank of Korea monthly average exchange rate

Korea: Import Price of Raw Sugar

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2000	195	180	177	174	163	166	193	205	214	244	242	253
2001	245	256	236	242	241	236	233	229	225	224	219	213
2002	211	210	200	197	190	189	184	168	169	177	171	175
2003	185	-18%	-15%	-19%	-21%	-20%	-21%	-27%	-25%	-21%	-22%	-18%
Change	-12%											

H.S. Code 1701.11 (US\$/MT,CIF)

Source: Korea Trade Information Service

Korea: Export Price of Refined Sugar

	Jan	Feb	Mar	Apr.	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2000	217	210	212	210	214	233	225	256	242	267	287	274
2001	281	293	288	284	285	285	280	282	280	275	268	267
2002	269	264	257	254	245	249	245	243	244	242	240	237
2003	243	-10%	-11%	-11%	-14%	-13%	-13%	-14%	-13%	-12%	-10%	-11%
Change	-10%											

H.S. Code 1701.99 (US\$/MT, FOB)

Source: Korea Trade Information Service